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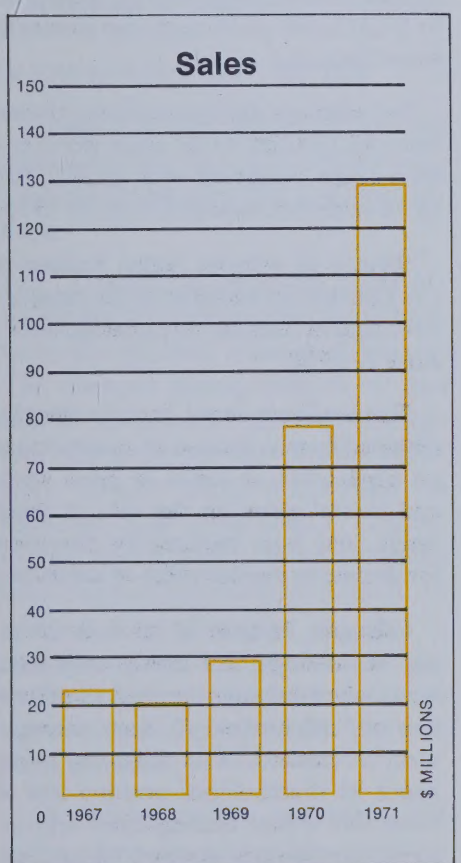
the Glengair Group limited

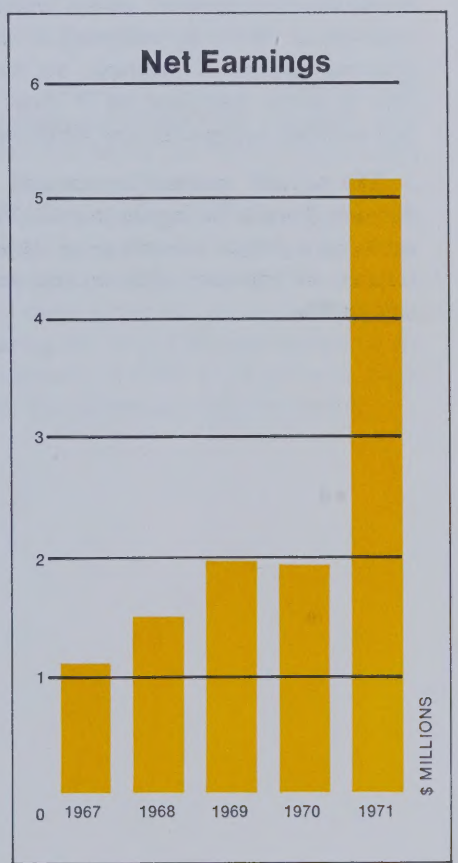
annual report 1971

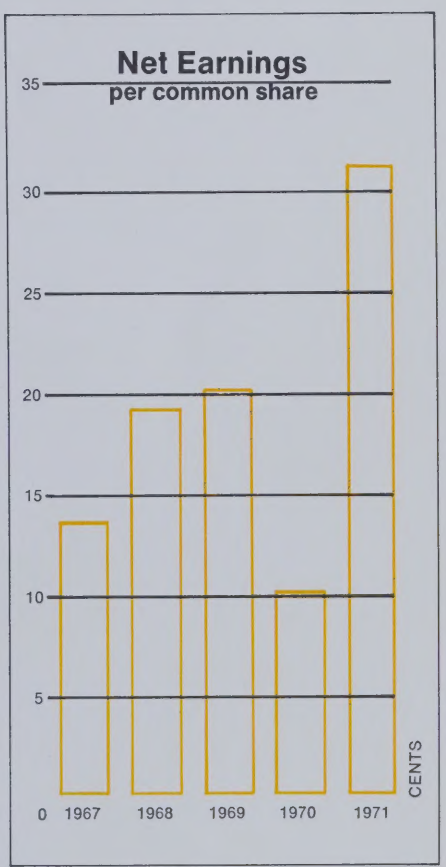
Comparative Key Data

	1971	1970	1969	1968	1967
Sales (net)	$128,462,293	$ 77,279,018	$29,734,157	$19,882,252	$20,384,369
Earnings before Extraordinary Income	$ 3,140,157	$ 1,822,108	$ 400,323	$ 661,077	$ 730,260
Extraordinary Income (net)	$ 1,974,052	—	$ 1,480,806	$ 760,377	$ 301,160
Net Earnings for the Year	$ 5,114,209	$ 1,822,108	$ 1,881,129	$ 1,421,454	$ 1,031,420
Net Earnings per Common Share	31¢	10¢	20¢	18¢	13¢
Number of Common Shares Outstanding	11,727,847	11,570,196	9,367,306	7,873,827	7,860,862
Number of Class B Preference Shares Outstanding	3,180,585	3,180,585	—	—	—
Preference Dividends Paid Including Amounts Paid to Minority Shareholders of Subsidiaries	$ 1,562,699	$ 797,822	$ 41,690	$ 100,326	$ 121,122
Working Capital	$ 33,321,086	$ 27,304,094	$14,606,615	$ 8,077,139	$ 8,606,461
Gross Assets	$150,689,908	$152,329,864	$45,724,084	$32,183,455	$26,974,431

Note: For comparative purposes, figures for past years where applicable have been restated to reflect accounting methods employed in 1971.







Message to the Shareholders

To the Shareholders:

Results of 1971 activities of The Glengair Group Limited clearly indicate the very substantial increases in sales and profits which we had forecast in our interim reports. For the first time in our comparatively young history, Group sales passed the $100,000,000 mark.

A diversified Company such as ours must maintain flexibility in the changing economic environment which existed throughout 1971. By adapting to this evolving pattern of business, we were able to show improvement in most of our member companies and divisions.

The several internal movements of divisional assets during the year enabled us to take proper advantage of opportunities to increase after-tax earnings and profits

FINANCIAL

Net sales of The Glengair Group Limited were $128,462,293, an increase of 66 per cent over 1970's sales of $77,279,018, while net earnings before tax increased 100 per cent to $10,936,402 from $5,588,245. Net earnings on operations after tax and before extraordinary items were $3,140,157, or 14 cents per common share, based on the average number of shares outstanding, compared to $1,822,108 or 10 cents per common share last year.

Net earnings after extraordinary items were $5,114,209 or 31 cents per common share compared with $1,822,108 or 10 cents per common share in 1970.

Results of Atlantic Sugar Refineries Co. Limited are included in the comparative figures from the date of acquisition, June 1, 1970.

Extraordinary items include benefits obtained from reduction of income taxes on application of losses of prior years and capital gains on the sale of fixed assets, and were reduced by provision for decline in market value of securities.

Glengair, because of its wide diversity in holdings, will consistently have items which fall into the rigid classification of "extraordinary". Your management is conscious of its obligation to enhance its shareholders' position and at times this is best accomplished wth internal reorganizations which take advantage of both corporate and tax benefits. Consequently in 1972 we again anticipate significant extraordinary income

arising from the reduction of income taxes on application of losses of prior years.

Consolidated working capital increased by $6,016,992 to $33,321,086.

Retained earnings rose to $7,581,009 from $4,303,333, after payment of $1,562,699 in preferred dividends, including $608,484 paid to minority shareholders of subsidiary companies.

MARKETABLE SECURITIES

Included in marketable securities are three companies in which Glengair participates in the direction and management.

(a) Orangeroof Canada Limited, holder of the exclusive rights for Canada from the Howard Johnson Company. The Glengair Group controls 41 per cent of the common shares of Orangeroof which has opened Howard Johnson's Motor Lodge/Restaurants in Moncton, N.B. (franchised), London, Ontario and a 275 room hotel located near Toronto International Airport. In addition four restaurants are also in operation – one in Montreal and three in Toronto. Plans for several additional motor lodges and restaurants are now being finalized.

In addition to the restaurant and motor lodges, Orangeroof also manufactures Howard Johnson's ice cream for sale to restaurants and retail grocery stores.

(b) I.T.L. Industries Ltd., manufacturers of steel moulds and plastic products. Operations of this company in 1971 were unfavourable due basically to adverse factors in the automotive tooling industry.

In an effort to render assistance in overcoming some of its operating difficulties, senior management of Glengair has taken an active role in the management of I.T.L. Glengair controls 14 per cent of the common shares.

(c) Canadian Security Management Limited, a management company and sales distributor for three mutual funds – Canadian Security Growth Fund, Canadian Gas and Energy Fund and CSM Japan Fund. This latter fund has the most outstanding performance of any mutual fund in Canada during 1971. During the year Glengair increased its investment in CSM to 28 per cent. Current operations are most favourable.

Operations

ATLANTIC SUGAR REFINERIES CO. LIMITED

This company, which became a member of The Glengair Group in June 1970, established new highs in all areas in fiscal 1971. Sales increased 25 per cent to $95,595,000 and net earnings, including extraordinary items, rose to $8,492,000 from $6,268,000.

During the year under review, the company's sugar business and the assets employed in that business were sold to a wholly-owned subsidiary, Acadia Pulp and Paper Limited. The transaction will increase the after-tax earnings of the company by an estimated $2,300,000 over the next two years. The sale was considered essential to the continuation of operations of the pulp company and the employment of some 600 persons in that part of New Brunswick which is presently suffering greatly from mine and woods operations shutdowns. Operations of Acadia were unsatisfactory due to world conditions in pulp markets. In 1971 sugar remained by far the largest contributor to sales and earnings.

Atlantic's tuna fleet caught fish in excess of plant requirements and good sales were made to Italian and Puerto Rican canners. The catch of the Newfoundland based groundfish fleet was reduced because of the depletion of the natural resource. Sales of frozen groundfish, which are made almost exclusively in the United States, suffered because of the high value of the Canadian dollar in relation to the U.S. dollar. Product prices, however, were at an all-time high which compensated considerably.

Performance of both Sonco Steel Tube Limited and the Lyman Tube Ltd. met objectives. The two companies are well-established and competently managed and the company looks for continuing growth in sales and earnings from the tube operations.

Respecting tariff regulations on sugar now under study by the Canadian Government, the President of Atlantic Sugar is quoted as follows in the annual report, "Acceptance of the Tariff Board's recommendations would seriously undermine Canadian-owned and operated companies in an industry controlled within our borders. Canadian sugar refinery companies have an exemplary record of supplying the highest quality product in the world at prices lower than in other developed countries."

(Continued on page 13)

the Glengair Group limited

and its subsidiary companies

Consolidated Statement of Earnings

For the year ended December 31, 1971

	1971	1970 (note 1)
Sales (net)	$128,462,293	$ 77,279,018
Cost of sales	94,540,970	55,239,843
Gross earnings from operations	33,921,323	22,039,175
Operating expenses		
Administration and selling	15,451,130	10,924,103
Depreciation and depletion	4,057,218	2,819,751
	19,508,348	13,743,854
Earnings from operations	14,412,975	8,295,321
Financial expenses (net)		
Debentures		
Interest	2,616,573	1,639,735
Amortization of financing costs	52,949	53,885
Other interest	1,814,920	1,748,721
	4,484,442	3,442,341
Investment and other income	1,007,869	735,265
	3,476,573	2,707,076
	10,936,402	5,588,245
Provision for income taxes		
Income taxes payable	6,120,862	2,504,682
Deferred income taxes	(210,793)	(254,604)
	5,910,069	2,250,078
	5,026,333	3,338,167
Minority interest	1,886,176	1,516,059
Earnings before extraordinary items	3,140,157	1,822,108
Extraordinary items (net) less income taxes and minority interest (note 8)	1,974,052	—
Net earnings for the year	$ 5,114,209	$ 1,822,108
Basic earnings per common share (note 9)		
Before extraordinary items	14¢	10¢
Net earnings for the year	31¢	10¢

Consolidated Statement of Retained Earnings

For the year ended December 31, 1971

	1971	1970
Balance, January 1	$ 4,303,333	$ 3,329,576
Add: Net earnings for the year	5,114,209	1,822,108
	9,417,542	5,151,684
Deduct: Preferred dividends, including $608,484 (1970 – $320,813) paid to minority shareholders of subsidiary companies	1,562,699	797,822
Other	273,834	50,529
	1,836,533	848,351
Balance, December 31	$ 7,581,009	$ 4,303,333

Consolidated Balance Sheet

As at December 31, 1971

ASSETS

	1971	1970
CURRENT		
Cash and short term deposits	$ 6,084,673	$ 6,795,031
Marketable securities (note 2) (Market value 1971 – $11,804,431; 1970 – $11,252,225)	10,321,597	11,312,750
Accounts receivable	15,012,063	15,272,311
Inventories, at the lower of cost and net realizable value	19,625,694	16,498,081
Prepaid expenses and other assets	1,359,836	959,271
Taxes recoverable	94,491	287,859
	52,498,354	51,125,303
NOTES AND OTHER INVESTMENTS	713,329	2,226,714
FIXED		
Land, buildings, machinery, equipment, leasehold improvements and ships, at cost	102,673,513	106,551,999
Accumulated depreciation, depletion and amortization	29,643,132	31,705,014
	73,030,381	74,846,985
DEFERRED CHARGES	1,055,438	954,004
EXCESS OF COST OF INVESTMENT IN SUBSIDIARIES OVER BOOK VALUE OF NET ASSETS ACQUIRED	23,392,406	23,176,858
	$150,689,908	$152,329,864

Approved by the Board:

J. H. Hawke, *Director*

C. W. Leonardi, *Director*

LIABILITIES

	1971	1970
CURRENT		
Bank advances (secured) (note 3)	$ 6,190,448	$ 9,422,874
Accounts payable and accrued liabilities	10,402,478	10,099,165
Income taxes payable	564,365	2,354,382
Current instalments of long term debt	1,683,484	1,594,968
Dividends payable to minority shareholders of subsidiary companies	336,493	349,820
	19,177,268	23,821,209
DEMAND BANK LOANS (secured) (note 4)	17,567,683	18,766,000
DEMAND NOTE PAYABLE – 7% (note 4)	3,000,000	3,000,000
DEFERRED INCOME TAXES (note 5)	479,305	297,804
LONG TERM DEBT (less current instalments) (note 6)		
Parent company	3,262,580	3,462,580
Subsidiary companies	30,655,248	31,891,071
	33,917,828	35,353,651
MINORITY INTEREST IN SUBSIDIARY COMPANIES		
Preference shares – par value	10,503,362	10,550,295
Common shareholders' equity	21,732,838	19,822,259
	32,236,200	30,372,554

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 7)		
Authorized		
20,000,000 common shares without par value		
1,000,000 cumulative redeemable preference shares with a par value of $25 each		
15,000,000 6% non-cumulative convertible non-voting Class B preference shares with a par value of $5 each		
Issued and fully paid		
11,727,847 common shares (1970 – 11,570,196 shares)	20,827,685	20,512,383
3,180,585 Class B preference shares	15,902,930	15,902,930
RETAINED EARNINGS	7,581,009	4,303,333
	44,311,624	40,718,646
	$150,689,908	$152,329,864

Consolidated Statement of Source and Application of Funds

For the year ended December 31, 1971

	1971	1970
SOURCE OF FUNDS		
Net earnings for the year before extraordinary items	$ 3,140,157	$ 1,822,108
Items not affecting funds		
Depreciation and depletion	4,057,218	2,819,751
Deferred income taxes	(210,793)	(254,604)
Amortization of deferred financing costs	52,949	53,885
Minority interest	1,886,176	1,516,059
Funds from operations	8,925,707	5,957,199
Other		
Funds from extraordinary income		
Extraordinary income	1,974,052	—
Deferred income taxes	(4,045)	—
Minority interest	1,735,028	—
	3,705,035	—
Sales and collection of notes receivable and other investments	1,093,999	—
Demand bank loans arranged pending permanent financing (note 4)	—	9,500,000
Disposal of fixed assets (net)	505,684	—
Issue of common shares	315,302	142,500
Issue of long term debt, including note payable	310,597	5,750,029
Miscellaneous	274,962	218,486
	6,205,579	15,611,015
	15,131,286	21,568,214
APPLICATION OF FUNDS		
Additions to fixed assets (net)	—	2,004,260
Amounts used to increase interests in subsidiaries (net)	351,439	—
Reduction of demand bank loans	1,198,317	—
Reduction of long term debt	3,702,017	1,289,761
Purchase of other investments	340,138	189,349
Payment of dividends	2,933,897	1,390,910
Miscellaneous	57,032	—
Acquisition of subsidiaries (net of working capital)	—	3,996,455
Working capital deficiency of subsidiary consolidated for first time (note 1)	531,454	—
	9,114,294	8,870,735
INCREASE IN WORKING CAPITAL FOR THE YEAR	6,016,992	12,697,479
WORKING CAPITAL, JANUARY 1	27,304,094	14,606,615
WORKING CAPITAL, DECEMBER 31	$ 33,321,086	$ 27,304,094

Notes to Consolidated Financial Statements

December 31, 1971

1. Basis of consolidation

Assets, liabilities and operating results of all subsidiary companies have been included in the consolidated financial statements including for the first time in 1971 the accounts of St. Lawrence Brick Co. Limited.

Control of Atlantic Sugar Refineries Co. Limited was acquired as at June 1, 1970 and accordingly the Company's portion of its operating results has been included from that date.

2. Marketable securities

Marketable securities are valued at cost less a provision of $840,000 (1970 Nil) for decline in market value of certain securities. See also note 8.

3. Security for bank advances

Bank advances are partially secured by inventories and general assignment of book debts. See also note 4.

4. Demand bank loans – secured
Demand note payable – 7%

These loans were arranged to acquire shares in subsidiaries and certain other investments which have been pledged as security. Although payable on demand, these loans have been shown as non-current liabilities since it is the directors' intention to replace them with permanent financing.

Permanent financing was not carried out during 1971 because of general capital market conditions during the year and because the directors and management of the Company considered the delay in permanent financing advisable. While it is recognized that according to the recommendations of the Canadian Institute of Chartered Accountants these loans should be included under the heading of current liabilities, the treatment accorded them provides, in the opinion of the directors and management of the Company, a fairer presentation of the consolidated financial position of the Company.

5. Deferred income taxes

In addition to the amount shown on the balance sheet, there are unrecorded deferred income tax credits (net of charges) accumulated prior to the adoption of the allocation basis in 1968, and reduced by subsequent charges to date amounting to $12,535,000. These credits arose from capital cost allowances in excess of depreciation recorded in prior years.

6. Long term debt

	1971	1970
Parent company		
Sinking fund debentures		
Series 'A' 6¾ % due December 15, 1985	$ 1,862,580	$ 1,962,580
Series 'B' 6½ % due June 30, 1976	1,600,000	1,700,000
	3,462,580	3,662,580
Less: Sinking fund payments due within one year	200,000	200,000
	$ 3,262,580	$ 3,462,580
Subsidiary companies		
Northern Tar, Chemical and Wood Limited		
Secured debenture, 7.8% due $110,000 annually December 15, 1972 to 1978 inclusive	$ 1,270,000	$ 1,380,000
Term loan payable $2,635 monthly at bank prime rate plus 2%	145,067	—
	1,415,067	1,380,000
Canada Brick Company Limited		
First mortgage sinking fund bonds 6¾ % due January 4, 1986 (The current obligation has been met)	1,344,000	1,500,000
Tancord Industries Ltd.		
Secured debenture 6¾ % due $200,000 annually July 31, 1972 to 1976	1,000,000	1,100,000
Atlantic Sugar Refineries Co. Limited		
Sinking fund bonds		
Series 'A' 4% maturing in 1974	3,556,500	3,800,000
Series 'A' 6¾ % maturing in 1984	4,221,000	4,833,000
Series 'C' 6% maturing in 1985 (U.S. $7,272,000)	7,791,911	9,165,568
First mortgage bonds		
6¼ % maturing quarterly until 1982	1,140,154	1,209,990
7¼ % maturing semi-annually until 1987	1,365,893	1,412,471
8¼ % maturing semi-annually until 1988	3,930,130	4,051,577
8¾ % maturing semi-annually until 1988	872,120	893,889
Other		
8½ % note payable due 1976	2,750,000	2,750,000
Miscellaneous	471,178	1,035,297
	26,098,886	29,151,792

St. Lawrence Brick Co. Limited		
First mortgage sinking fund bonds		
Series 'A' 9⅜% due May 1, 1990	1,595,000	—
Series 'B' 11% due April 1, 1974	200,000	—
Subordinated sinking fund debentures		
9¼% due April 1, 1990 (net of inter-company holding)	361,000	—
	2,156,000	—
Mortgages and floating charge debentures	124,779	154,247
	32,138,732	33,286,039
Less: Sinking fund and principal payments due within one year	1,483,484	1,394,968
	$30,655,248	$31,891,071

Payments required in the next five years to meet long term debt instalments and sinking fund provisions are:

1972	$ 1,683,484
1973	1,728,652
1974	4,855,183
1975	1,100,916
1976	6,036,947

7. Share capital, options and warrants

(a) Share capital

Issued during 1971

157,651 common shares were issued for $315,302 as consideration for acquisition of shares in subsidiary companies.

Common shares set aside

500,000 of the authorized and unissued common shares have been set aside for future allocation to officers of the Company. In addition there are shares set aside for options and warrants under (b) and (c).

(b) Options

The following options are outstanding

50,000 common shares at $2.50 per share to an officer of the Company to expire not later than December 1, 1975.

15,000 common shares at $5.375 per share to an employee of a subsidiary company to expire not later than August 31, 1974.

(c) Warrants

Share purchase warrants

These are share purchase warrants outstanding entitling the holders thereof to purchase an aggregate of 651,050 common shares of the Company at the following prices:

$2.25 per share if exercised on or before June 30, 1972; thereafter

$3.00 per share if exercised on or before June 30, 1974; thereafter

$4.00 per share if exercised on or before June 30, 1976; void thereafter.

B warrants

There are 210,930 B warrants outstanding entitling the holders thereof to purchase for each warrant, one unit consisting of one and one-half (1½) 6% non-cumulative convertible, non-voting Class B preference shares with a par value of $5 each and one (1) common share without par value at the following prices:

$10 per unit if exercised on or before March 1, 1973; thereafter

$12 per unit if exercised on or before March 1, 1976; thereafter

$14 per unit if exercised on or before March 1, 1978; void thereafter.

(d) Atlantic Sugar Refineries Co. Limited

524,400 of the authorized common shares of this subsidiary have been reserved as follows:

(i) 450,000 shares for the exercise of warrants issued in 1968 of which 210,930 are held by the parent company, and which entitle the holders to purchase one share for each warrant as follows:

Until March 1, 1973 at $10 per share; thereafter

Until March 1, 1976 at $12 per share; thereafter

Until March 1, 1978 at $14 per share; void thereafter.

(ii) 74,400 shares for stock options to officers and key employees. Options have been granted to purchase 41,400 of such shares at $7 each over a ten year period terminating in June 1979.

8. Extraordinary items

Extraordinary items are as follows:

Reduction of income taxes on application of losses of prior years	$3,311,000
Capital gains (net) on sale of fixed assets	1,212,437
Profits on sales of securities (net)	105,448
Provision for decline in market value of securities	(840,000)
Losses on foreign exchange	(52,153)
Miscellaneous	(27,652)
	3,709,080
Less: Minority interest therein	1,735,028
	$1,974,052

9. Fully diluted earnings per common share

The exercise of warrants, conversion and option privileges respecting the Company's shares and those of its subsidiaries would not have a dilutive effect on earnings per common share.

10. Translation of foreign currencies

Translation of accounts in foreign currencies has been made as follows:

(a) Current assets and current liabilities – at the rate of exchange on December 31, 1971.

(b) Fixed assets and long term debt – at the rate of exchange prevailing at the time of acquisition or incurrence.

(c) All items on the statement of earnings – at the average rate of exchange for the year calculated on a monthly basis.

11. Statutory information

(a) The aggregate direct remuneration paid or payable by the Company or its subsidiaries to the directors and senior officers (as defined by the Ontario Business Corporations Act) of the Company was $364,892 (1970 $317,454).

(b) Sales by class of business were as follows:

	$(000's)	%
Sugar operations	$ 56,374	43.9
Forest operations	18,136	14.1
Tube operations	16,476	12.8
Fish operations	14,590	11.4
Other	22,886	17.8
	$128,462	100.0

Meaningful comparative figures for 1970 are not available. See also note 1.

12. Loans from shareholder

Of the aggregate bank loans and advances, $22,070,255 is owing to a bank which is a shareholder of the Company.

13. Commitments and contingent liabilities

(a) Commitments for rentals under long term leases amount to approximately

(i) $900,000 per annum over the next twenty-one years

(ii) $360,000 per annum over periods varying from two to five years.

(b) The purchase price of a subsidiary acquired in 1970 includes an amount of $2,750,000 which has not been reflected in the statements because this amount is contingent upon future earnings of such subsidiary. The final price will be accounted for on January 1, 1976 with interest at 5%.

Auditors' Report

To the Shareholders,
The Glengair Group Limited.

We have examined the consolidated balance sheet of The Glengair Group Limited and its subsidiaries at at December 31, 1971, and the consolidated statements of earnings, retained earnings, and source and application of funds for the year ended on that date. Our examination of the financial statements of the Company and of those subsidiaries of which we are auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1971, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GLENDINNING, JARRETT, GOULD & CO.
Chartered Accountants

Toronto, Ontario,
February 21, 1972.

Operations

GLENTECH INSTRUMENTS LIMITED

During 1971 Glentech Instruments, the venture capital arm of the Group, increased its investment in the Boston-based company Spectrametrics, Inc., and now has effective control of this U.S. public company. The company specializes in the design and manufacture of highly sensitive analytical instruments for medical, industrial and research applications. A number of new products are in various stages of research and development, and several pilot projects are now underway.

Glentech also has a significant investment in Digital Telephone Systems, Inc., of California. Some profits were realized through the sale of a portion of the company's holdings in Digital. In effect, Glentech virtually recovered its initial investment while retaining 83 percent of its original common share holdings.

NORTHERN TAR, CHEMICAL AND WOOD LIMITED

This company experienced a turnaround during the course of the year with sales up 25 per cent to $9,979,613 from $8,088,822 and net earnings up to $100,412 from a loss in the previous year of $142,622.

The results are mainly attributable to increased sales of nearly all products but particularly of export lumber, coupled with improved efficiencies in mill operations. Weather conditions and better handling procedures permitted the woods operations to produce higher volumes to meet the increased demand for lumber. Lumber prices which were more favourable during the last half of the year, coincided with the generally accelerated activity in the construction industry.

A substantial capital investment was made in an Air Pollution Abatement Program which would eliminate the operation of the refuse burner and allow the company to market sawmill residues in the form of sawdust and shavings.

On the basis of present indicators, a firm lumber market is shaping up for 1972 with a boom in Canadian and U.S. housing starts, especially in single family dwellings. Nortar anticipates greater improvements in the coming year.

ST. LAWRENCE BRICK CO. LIMITED

Operations of St. Lawrence Brick Co. Limited, of La Prairie, Quebec, proceeded favourably during the course of the year. The new plant has been operating at capacity since August.

The efficiency of the new plant, combined with a healthy backlog of orders and expected volume of construction in the area serviced by St. Lawrence Brick, indicate that 1972 will be a profitable one for the company.

TANCORD INDUSTRIES LTD.

Up to September 1, 1971, the business of Tancord was confined to Brantford Cordage Company and Processed Fibers Inc. On that date and to maintain the company as a viable entity, certain divisions of The Glengair Group Limited were sold for cash, note and shares to Tancord, thereby increasing the Company's effective ownership of Tancord from 82% to 96%. The results of these divisions are commented on below:

Allanson Manufacturing Company

Allanson Manufacturing Company ended 1971 with buoyant sales and profits. Operating profit reached a new high as it reflected not only the higher volume but also the results of an initial application of the value analysis approach to cost reduction. The effective use of this technique on all company products is expected to have an on-going impact on profit. Productivity gains provided an additional impetus to 1971 profit and helped to offset increases in operating costs.

For several years Allanson has operated a subsidiary plant in the United States. In the last three years, operations there have become unprofitable – mainly because of depressed selling prices. A decision has now been made to close the plant. Appropriate provisions for losses are reflected in the 1971 statements.

The fourth quarter of 1971 saw Allanson's sales reach record levels, and we look forward to greatly improved results in 1972.

Brantford Cordage Company

The Canadian cordage industry has continued to operate under intense price competition from foreign made twines and ropes. All harvest twines and a large portion of fishing ropes are non-dutiable, and with the relatively low tariff protection on remaining products, the overall profitability of the industry is very much inhibited. In spite of these factors and due mainly to improvements in the areas of inventory reduction, standardization of product lines, operating expenses and production scheduling, there were marked improvements in operating results in 1971.

A subsidiary company, Processed Fibers Inc., of Lockport, New York, made marked sales gains in the U.S. chopped sisal markets in 1971 which gains we anticipate will be reflected in improved profits in the 1972 year.

The outlook for 1972 indicates a continuation of the cost-price pressures that have been experienced for the past few years.

Canada Brick Company

This division experienced an excellent year in terms of production, sales and profitability, partially due to the quickened pace in the construction industry during the latter part of 1971. Increased productivity was achieved despite a mid-year setback caused by the destruction of a tunnel kiln. Adequate insurance coverage was carried, both on the physical damage and on the business interruption, and the unit is now back in operation.

Canada Brick is currently undergoing a $1¼ million replacement and modernization program. This expenditure over the next two years, will increase its competitive ability in the clay brick industry.

The introduction of an oversize modular brick was another step in the company's continuing program of product development. This product, known as "Imperiale", gives the customer 40 per cent greater face area, thereby reducing labour costs and making the over-size brick more competitive with other building materials.

In addition to its regular clay brick production, the company plans to extend its production into the rapidly expanding concrete brick business. A new $1½ million plant to manufacture this product is expected to be in operation by this fall. Concrete bricks have met with increasing acceptance by the construction industry.

Redi-Set Business Forms

Although sales of this division were similar to the previous year, operational difficulties and the intense price competition during the year had a disproportionate effect on year end results. A recent change in senior management, a general reorganization of the company's procedures, and a strengthening of dealer operations, are meeting with favourable results. The general improvement in the economy and continuing demand for specialized business forms should result in an improved year for the business forms industry.

VENPOWER LIMITED

On December 1, 1971, the fixed assets and inventory of Venpower's subsidiary companies in Venezuela were sold to an agency of the Government of Venezuela for $2,506,341, in accordance with the terms of the agreement between the two parties. Proceeds of the sale have been received by the subsidiary companies.

It is anticipated that the final legal requirements in connection with the sale, collection of receivables and settlement of income taxes will be completed shortly. In the interim, the company is actively seeking alternative sources of investment.

OUTLOOK

From a modest beginning as a public company in 1966 with assets of $27 million, The Glengair Group Limited has maintained a steady growth pattern and in 1971 achieved its best year, despite depressed economic conditions, currency crises, and actual plus impending government legislation.

The continuing increase in the value of the Canadian dollar to parity with the U.S. dollar during the course of the year had an extremely harmful effect on the total profitability of the Group.

The vast amount and complexity of government legislation pertaining to businesses including the Tax Reform Bill, the proposed Competitions Act, and amendments to the Canada Labour Code is of vital concern to the Company. Much valuable management time has been spent in attempting to determine the possible effects of this legislation on your company.

Since our inception in 1966 we have attempted to grow through acquiring other related businesses and by seeking out new areas of business for the Group. Now that we have reached a new plateau in the history of the Company, we have again reviewed and reassessed our corporate goals. While reaffirming our basic philosophy, we have also acquired a new awareness of international markets and have prepared ourselves to move in these directions as well as to increase our operations in Canada.

As evidenced by the financial statement, your Company is now in a strong position to further expand its operations and to acquire other new businesses.

We anticipate a continuing upward trend for The Glengair Group Limited throughout 1972.

We wish to express our appreciation to our shareholders, employees, supervisory staff, management and directors for their loyalty and efforts on behalf of the Company over the past year.

On behalf of the Board of Directors,

J. H. Hawke, President

March 21, 1972

Corporate Directory

DIRECTORS

E. C. DANIHER
J. S. GAIRDNER
J. H. GAIRDNER
J. H. HAWKE
PETER HEDGEWICK
L. C. E. LAWRENCE
C. W. LEONARDI, C.A.
JOHN A. MULLIN, Q.C.
W. J. R. PATON
D. G. SINCLAIR

OFFICERS

J. S. GAIRDNER
Chairman of the Board
J. H. HAWKE
President
D. G. SINCLAIR
Vice President and General Manager — Operations
C. W. LEONARDI, C.A.
Vice President and Treasurer
GEORGE L. PLODER, C.A.
Assistant Treasurer
CYRL H. HOLLINGSHEAD, Q.C.
Secretary

TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST COMPANY
Montreal, Toronto, Winnipeg, Vancouver

TRUSTEE – DEBENTURES

THE ROYAL TRUST COMPANY
Montreal, Toronto, Winnipeg, Vancouver

AUDITORS

GLENDINNING, JARRETT, GOULD & CO.
Chartered Accountants, Toronto

SOLICITORS

FRASER & BEATTY,
Toronto

LISTED

TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE

HEAD OFFICE
52nd Floor, Toronto-Dominion Centre
Toronto 111, Ont.

Member Companies

Atlantic Sugar Refineries Co. Limited
Box 7, Montreal 101, Quebec
62.3% owned
W. J. R. Paton, President

Acadia Pulp and Paper
Box 280, Nelson-Miramichi, N.B.
J. S. Donaldson, Vice-Pres. & Gen. Mgr.

Atlantic Fish Processors Co. Ltd.
Box 1568, St. John's, Nfld.
L. E. Labrosse, President

Canadian Tuna Company (1965) Limit
Box 7, Montreal 101, Quebec
G. E. Waring, President & Gen. Mgr.

Lyman Tube Limited
837 Fourth Line, Oakville, Ont.
O. Foster Carter, President

Sonco Steel Tube Limited
14 Holtby Ave., Brampton, Ont.
Harry Sonshine, President

Glentech Instruments Limited
Box 53, Toronto-Dominion Centre
Toronto 111, Ont.
87.5% owned
Emanuel Batler, President

Northern Tar, Chemical and Wood Limited
Box 990, Thunder Bay, Ont.
94.6% owned
W. R. Parks, Vice-Pres. & Gen. Mgr.

St. Lawrence Brick Co. Limited
Box 5, LaPrairie, Quebec
51% owned
André Goyer, President

Tancord Industries Ltd.
Box 53, Toronto-Dominion Centre
Toronto 111, Ont.
96% owned
D. G. Sinclair, President

Allanson Manufacturing Company
33 Cranfield Road, Toronto 16, Ont.
R. A. Crolly, President

Brantford Cordage Company
Box 968, Brantford, Ont.
G. A. Bennett, Vice-Pres. & Gen. Mgr.

Canada Brick Company
Box 668, Streetsville, Ont.
E. Y. Carlson, President

Redi-Set Business Forms
36 Scarsdale Road, DonMills, Ont.
K. B. Hains, Gen. Mgr.

Venpower Limited
Box 53, Toronto-Dominion Centre
Toronto 111, Ont.
50% owned
C. W. Leonardi, President

the Glengair Group limited

Atlantic Sugar Refineries Co. Limited

Acadia Pulp and Paper Limited
Atlantic Fish Processors Co. Ltd.
Canadian Tuna Company (1965) Limited
Lyman Tube Limited
Sonco Steel Tube Limited

Glentech Instruments Limited

St. Lawrence Brick Co. Limited

Northern Tar, Chemical and Wood Limited

Venpower Limited

Tancord Industries Ltd.

Allanson Manufacturing Company
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Redi-Set Business Forms